

Fellow Deputies,

On behalf of the State Council, I now present to you my report on the work of the government for your deliberation and approval and for comments and suggestions from the members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

I. Review of Work in 2011

Last year, China faced a complex and volatile political and economic environment abroad and arduous and challenging reform and development tasks at home. Working hard with one heart and one mind under the leadership of the Communist Party of China (CPC), the Chinese people of all ethnic groups made significant achievements in reform, opening up, and socialist modernization. China's GDP reached 47.2 trillion yuan, an increase of 9.2% over the previous year; government revenue was 10.37 trillion yuan, an increase of 24.8%; and the country's grain output reached a record high of 570 million tons. A total of 12.21 million new urban jobs were created. The per capita disposable income of urban residents and the per capita net income of rural residents rose in real terms by 8.4% and 11.4%, respectively. We consolidated and built upon our achievements in responding to the global financial crisis, and got the Twelfth Five-Year Plan period off to a good start.

We accomplished the following in our work last year.

1. Strengthening and improving macro-control, preventing fast price rises, and achieving steady and robust economic development

We followed a proactive fiscal policy and a prudent monetary policy, and maintained a balance between ensuring steady and robust economic development, adjusting the economic structure, and managing inflation expectations. We paid greater attention to implementing policies with the proper focus, force, and pace; conducted prudent and flexible macro-control on a moderate scale and in a timely fashion; and constantly made our policies more targeted, flexible, and forward-looking. Amid worsening inflation expectations worldwide, fluctuating and high prices of major commodities on the world market, significantly higher costs of factors of production at home, and a shortage of some agricultural products, we made ensuring general price stability our top priority in macro-control, pursued policies in an integrated way, rationally used monetary policy tools to regulate the supplies of money and credit, vigorously developed production to ensure supply, boosted distribution, and strengthened supervision. As a result, increases in the consumer price index (CPI) and the producer price index (PPI) began falling in August, thus reversing the trend of rapid inflation. In the second half of the year, when the global economy faced greater instability and uncertainty and when new developments and problems occurred in China's economy, we kept the basic orientation of macro-control unchanged, maintained the basic continuity of our macroeconomic policies, and continued to curb inflation. In addition, we carried out timely and appropriate anticipatory

adjustments and fine-tuning, strengthened coordination between credit and industrial policies, and increased structural tax reductions. We focused on supporting the real economy, especially small and micro businesses; improving the people's wellbeing, especially by building low-income housing projects; and ensuring funding for key projects that are under construction or expansion. These well-targeted measures were taken to solve major economic problems. We steadfastly tightened regulation of the real estate market and ensured that control policies were fully carried out and achieved real progress. Consequently, speculative or investment-driven housing demand has been significantly curbed, housing prices in most Chinese cities have fallen month on month, and the results of our control measures are beginning to show. We attached great importance to guarding against and eliminating latent risks which exist in the banking and public finance sectors. We fully audited local government debt in a timely manner, and obtained a clear picture of the total amount, due dates, geographic distribution, and causes of the debts local governments incurred over the years. These debts have played a positive role in promoting economic and social development and produced a large amount of quality assets. However, they also contained risks and hidden dangers, and some localities with poor ability to pay their debts were at risk of default. We sorted out and standardized these debts, imposed a cap on their increase, and actively yet prudently solved problems related to the repayment of such debts and additional funding for ongoing projects. Government debt in China now is at a controllable and secure level. China's economy as a whole continues to grow as we anticipated in our exercise of macro-controls and has become more resilient. Economic growth is robust, prices are stabilizing, economic returns are good, and the people's wellbeing is improving.

2. Accelerating the transformation of the pattern of economic development and making development more coordinated and industries more competitive

We supported support development in some areas while limiting growth in others, and carried out economic structural adjustments and upgrading to increase the sustainability of development.

We consolidated and strengthened the agricultural foundation. We fully implemented the policy of strengthening agriculture, benefitting farmers, and enriching rural areas. We increased subsidies for agricultural production, and the minimum purchase price for grain rose steadily. We strengthened agricultural and rural infrastructure, with priority given to irrigation and water conservancy projects, improved rural land, increased scientific and technological services for agriculture, and improved our ability to respond to and mitigate natural disasters. Central government spending on agriculture, rural areas and farmers exceeded one trillion yuan, a year-on-year increase of 183.9 billion yuan. We had a bumper harvest in all sectors of agriculture. China's grain output increased for the eighth consecutive year, which has rarely been seen in history. Grain output in each of the past five years has exceeded 500 million tons, which shows that China's overall grain production capacity has reached a new level. We continued to renovate dilapidated houses

in rural areas, provided access to potable water for 63.98 million additional rural residents, delivered electricity to 600,000 people in areas that had no power supply, and further improved rural working and living conditions.

We accelerated the optimization and upgrading of the industrial structure. We energetically fostered strategic emerging industries and accelerated development of new energy, new materials, biomedicines, high-end equipment manufacturing and new-energy vehicles, and we sped up pilot projects and demonstrations for integrating the telecommunications network, the radio and television broadcasting network, and the Internet, along with the development of cloud computing and the Internet of Things. We made progress in enterprise mergers and reorganizations. We allocated 15 billion yuan from the central government budget to support more than 4,000 projects to boost key industries and upgrade their technologies. This seed capital attracted a total investment of 300 billion yuan. We accelerated the development of information consulting, e-commerce and other modern service industries, and expanded new service areas. The transportation industry developed quickly, thereby further strengthening the foundation for China's economic and social development.

We made progress in conserving energy, reducing emissions, and protecting the ecological environment. We adopted and implemented the Comprehensive Work Plan for Conserving Energy and Reducing Emissions and the Work Plan for Controlling Greenhouse Gas Emissions for the Twelfth Five-Year Plan period, and the Guidelines on Strengthening Key Environmental Protection Tasks. The installed power capacity using clean energy reached 290 million kW, an increase of 33.56 million kW over the previous year. We strengthened the development of major energy conservation and environmental protection projects. We increased daily sewage treatment capacity by 11 million tons in urban areas, and installed desulphurization systems on all new coal-fired power-generating units with a total capacity of over 50 million kW. We tightened controls over industries that are energy intensive, have high emissions or possess excess production capacity, and closed down outdated production facilities whose production capacity amounted to 150 million tons of cement, 31.22 million tons of iron, and 19.25 million tons of coke. We implemented the second phase of the project to protect virgin forests and raised related subsidies, carried out the policy of giving rewards and subsidies for grassland ecological conservation, and launched pilot projects to protect the ecological environment of lakes. And we planted 6.13 million hectares of trees.

We promoted the balanced development of regional economies. We thoroughly implemented the master strategy for regional development and the national plan for developing functional zones. We introduced preferential policies to promote the leapfrog development of Tibet and Xinjiang; and formulated and implemented a rural poverty alleviation and development program for the next ten years and an action plan to bring prosperity to border areas and the people there. As a result, regional development became better balanced, major economic indicators rose faster in the central and western regions

and northeast China than the national average, and the eastern region accelerated industrial transformation and upgrading. China's urbanization level exceeded 50%, marking a historic change in the country's social structure. We completed reconstruction in Wenchuan, Sichuan, which was hit by a massive earthquake in 2008, and made major progress in disaster relief and reconstruction in Yushu, Qinghai; Zhugqu, Gansu; and Yingjiang, Yunnan.

3. Developing social services and promoting balanced economic and social development

Governments at all levels increased spending on science and technology, education, culture, health, and sports programs, with the total amount reaching 2.82 trillion yuan.

We continued to enhance China's scientific and technological innovation capabilities. We strengthened basic research and research in cutting-edge technologies. We carried out major national research and development projects, made breakthroughs in a number of core and key technologies, and filled in many gaps in important products and technologies. The Tiangong-1 space module and the Shenzhou-8 spacecraft were launched, and Shenzhou-8 successfully docked with Tiangong-1, marking a new milestone in China's development of manned spaceflights.

We made solid progress in making education more equitable. We thoroughly implemented the Plan for Education Reform and Development. Thanks to tireless efforts over the past 25 years, we have fully attained the goals of making nine-year compulsory education universally available and basically eliminating illiteracy among young and middle-aged adults. Over 30 million rural boarding school students were exempted from accommodation expenses, and 12.28 million of them who are from poor families in the central and western regions received living allowances. A comprehensive system for providing aid to students from poor families was put in place. The children of rural migrant workers were generally granted access to compulsory education in cities where they live. A three-year action plan for preschool education was carried out, and the number of children enrolled in preschool increased. We vigorously developed vocational education. We strengthened training of primary and secondary school teachers, expanded trials of reforming the system of conferring professional titles on them, and raised their overall quality. All the graduates of 2011 who received tuition-free education in teachers' colleges and universities went to teach in primary and secondary schools, with over 90% of them working in central and western China.

We vigorously strengthened development of the cultural sector. The central government increased financial support for cultural programs that benefit the people, and local governments significantly increased spending on nonprofit cultural programs. We increased the number of public cultural facilities open to the public free of charge, and steadily expanded their services. We continued to reform the cultural system, and cultural industries developed rapidly. Major progress was made in protecting cultural relics and in protecting and passing on China's intangible cultural heritage. We put great effort into

building public sports facilities, vigorously developed fitness activities across the country, and made new achievements in sports activities.

We actively yet prudently carried out reform and development of medical and healthcare services. We further expanded coverage of basic medical insurance, so that now 1.3 billion urban and rural residents are covered. A medical insurance system that covers the whole population is emerging. We raised the reimbursement rate for hospitalization expenses covered by relevant policies, and expanded the range of major diseases for which medical treatment is insured. Governments at all levels increased per-person subsidies for the medical insurance for non-working urban residents and the new type of rural cooperative medical care system from 120 yuan per year to 200 yuan per year. We implemented the national system for basic drugs in all community-level medical and health care institutions run by the government, and basic drugs became safer and more affordable. We progressed in an orderly fashion with trials of reforming public hospitals, basically established a community medical and health care service system, and made progress in providing equal access to basic public health services.

4. Ensuring and improving the people's wellbeing and solving problems that affect their interests

We continued to put the people's wellbeing first, worked hard to bring the benefit of development to all, and promoted social fairness and justice.

We implemented a more active employment policy. We created jobs through a variety of channels, expanded job opportunities through the creation of new businesses, strengthened vocational skills training, and improved the public employment service system. We increased fiscal, taxation, and financial support to promote employment of university graduates, rural migrant workers, and other key groups. The employment rate for college graduates reached 77.8%, an increase of 1.2 percentage points over the previous year. The number of rural workers totaled 253 million, an increase of 4.4% over the previous year, of whom 159 million worked in towns and cities, up 3.4%.

We adjusted income distribution. We worked hard to increase the income of low-income people. Per capita net income of rural residents in real terms registered the fastest growth since 1985, outpacing urban residents for the second straight year. We significantly increased the minimum wage across the country. Basic pensions for enterprise retirees increased for the seventh consecutive year, with an average increase of 1,680 yuan per person for the year, which benefited over 57 million people. We further increased subsistence allowances for rural and urban residents and subsidies and living allowances for some entitled groups, and granted lump-sum living allowances to more than 86 million people in need, including subsistence allowance recipients in urban and rural areas and childless and infirm rural residents who are entitled to five forms of support (food, clothing, medical care, housing, and burial expenses). We instituted a mechanism to increase social aid and social security benefits when consumer prices rise. The proportion of middle-income earners in the whole population increased. We raised the

salary threshold for personal income tax from 2,000 yuan to 3,500 yuan. We reduced the tax burden on over nine million self-employed people. The central government set the new poverty line at 2,300 yuan, which was the per capita net income in rural areas at 2010 prices, an increase of 92% over 2009. This resulted in more low-income people being covered by the government's poverty reduction program, which constitutes tremendous social progress.

We bolstered the development of the social security system. We continued to expand coverage of social security, and the number of people covered by basic old-age insurance for urban residents, unemployment insurance, workers' compensation and maternity insurance rose substantially nationwide. We carried out trials of old-age insurance for non-working urban residents in 2,147 counties and county-level cities and districts, covering 13.34 million residents, and 6.41 million residents received pensions. We launched trials of a new type of old-age insurance for rural residents in 2,343 counties and county-level cities and districts, covering 358 million people, and 98.8 million people received pensions. We extended coverage of this insurance to more than 60% of China's counties. We solved longstanding problems concerning pensions for more than five million retirees of collectively owned enterprises. We included more than 3.12 million persons who suffer from past work-related injuries and dependents of employees who lost their lives in work-related accidents in workers' compensation insurance. We worked in an orderly way to make it possible to transfer pension accounts between localities. We continued to improve the social security system and made significant progress in extending coverage to all residents. This was an important achievement for ensuring equal access to basic public services for all.

We accelerated the construction of low-income housing. We adopted guidelines on construction and management of low-income housing; improved policies on government input, land supply, credit support, and tax and fee reductions; strove to improve project planning and construction quality; and introduced a system and measures for distributing, managing, and recalling low-income housing. The central government allocated 171.3 billion yuan for these purposes, an increase of 120% over 2010. We basically completed 4.32 million units of low-income urban housing and began construction on a further 10.43 million units.

We worked hard to safeguard public safety. We intensified oversight and supervision of workplace safety and ensured that major accidents were fully investigated and those responsible were held accountable. We improved the system and mechanisms for oversight and supervision of food safety, and gave high priority to cracking down on the use of illegal additives and the illegal production and processing of food. We put people and services first, strengthened and made innovations in social administration, strove to investigate and resolve social conflicts, cracked down on crime in accordance with the law, and maintained social harmony and stability.

5. Deepening reform and opening up and injecting new vitality and impetus into

economic and social development

We intensified efforts to overcome difficulties and carried forward reform in major areas and key links to meet reform targets set forth in the Twelfth Five-Year Plan.

We improved the public finance system, particularly the budget management system. We put all extrabudgetary funds under budgetary management; expanded the scope of budgets for the use of state capital; deepened the reform requiring government departments to prepare their own budgets; and moved ahead with publicly releasing government budgets and final accounts. Ninety-eight central government departments as well as provincial and municipal governments, including Beijing, Shanghai, Guangdong and Shaanxi, publicly released information regarding their spending on official overseas trips, official vehicles and official hospitality. We carried out a price-based reform of resource taxes on crude oil and natural gas nationwide, and introduced a plan to replace business tax with value-added tax (VAT) on a trial basis. We extended the use of RMB in cross-border trade settlement to the whole country, launched trials for settling overseas direct investment accounts in RMB, and began settling foreign direct investment accounts in RMB. We deepened reform of tenure in collective forests, launched a trial reform of state forestry farms, and started registration for contracting pastureland in accordance with the law. We pressed ahead with reform of the system for managing the construction of water conservancy facilities and made innovations in the system for managing water resources; and deepened reform of state-owned enterprises. We carried out reform to restructure power grids by separating their main business from auxiliary services and implemented the plan to adjust the prices of on-grid electricity and non-household electricity. We basically completed the reform of county and town-government bodies, and proceeded with the reform of public institutions through classification in an orderly manner.

We continued to put equal emphasis on exports and imports, encouraged foreign investment in China and Chinese investment overseas, and made comprehensive improvements to China's open economy. We actively pursued the strategy of diversifying markets and improved the trade mix. China's total volume of trade in goods totaled US\$ 3.64 trillion for the year, up 22.5%. Exports and imports grew by 20.3% and 24.9%, respectively, and our trade surplus decreased further. Total utilized foreign direct investment was \$116 billion, and a larger proportion of it went to service industries and the central and western regions. Chinese companies expanded their overseas presence, and non-financial outward direct investment reached \$60.1 billion. We actively participated in international and regional economic cooperation and continued to deepen multilateral and bilateral economic and trade relations.

We made outstanding progress in improving the democratic legal system; strengthening national defense and building up the armed forces; and in our work related to Hong Kong, Macao and Taiwan and our diplomatic work.

Our hard-won achievements over the past year are a testament to the strength and

vitality of the socialist system with Chinese characteristics, and have enhanced the pride and cohesiveness of the Chinese nation. We owe these achievements to the sound decisions made by the Party Central Committee, with Comrade Hu Jintao as General Secretary, and its correct leadership, as well as the concerted efforts and hard work of the Party, the armed forces, and the people of all ethnic groups in China. On behalf of the State Council, I wish to sincerely thank the Chinese people of all ethnic groups, the democratic parties, people's organizations, and people from all sectors of society. I wish to express my sincere gratitude to our compatriots in the Hong Kong and Macao special administrative regions and in Taiwan, as well as overseas Chinese. I also wish to express my sincere appreciation to governments of other countries, international organizations, and foreign friends around the world who show understanding for and support China in its pursuit of modernization.

We are keenly aware that China still faces many difficulties and challenges in economic and social development. Internationally, the road to global economic recovery will be tortuous, the global financial crisis is still evolving, and some countries will find it hard to ease the sovereign debt crisis any time soon. The unemployment rate remains high in the major developed economies, and they lack impetus for growth. Emerging economies face the dual pressures of inflation and slowing economic growth. The exchange rates of major currencies and the prices of important commodities are experiencing sharp fluctuations. Protectionism in international trade and investment is mounting. Domestically, it has become more urgent but also more difficult to solve institutional and structural problems and alleviate the problem of unbalanced, uncoordinated, and unsustainable development. In addition, China's economy is encountering new problems. There is downward pressure on economic growth. Prices remain high. Regulation of the real estate market is in a crucial stage. It is getting harder to maintain steady development of agriculture and sustain increases in rural incomes. Pressure to increase total employment coexists with structural shortages of qualified personnel in some industries. Some enterprises, especially small and micro businesses, face increasing difficulties in their operations. Some industries are plagued by excess production capacity. Total energy consumption is growing excessively fast. Moreover, some long-term and short-term problems are interwoven; structural and cyclical factors affect each other; domestic and international problems have become interrelated; and our macro-control work faces a more complex situation. There are still some deficiencies and shortcomings in the government's work. Targets for conserving energy, reducing emissions, and controlling prices are not being met. Problems concerning land expropriation, housing demolition, workplace safety, food and drug safety, and income distribution are still very serious and the people are still very concerned about them. Government administration and services need to be improved, and efforts to build clean government need to be intensified.

We must act with a strong sense of responsibility toward the country and the people,

take more effective steps to resolve these problems, strive to do all our work better, and truly live up to the people's expectations.

II. Major Steps to Be Taken in Government Work in 2012

This year is an important year of the Twelfth Five-Year Plan period, and the last year of the term of my government. We must dedicate ourselves to our duties, forge ahead with determination, tackle difficult problems directly, and work diligently to achieve results that satisfy the people.

We are still in an important period of strategic opportunities for China's development, and there are a number of favorable conditions for us to maintain steady and robust economic development for a long time. Industrialization, urbanization and agricultural modernization are proceeding rapidly, and improvements in the consumption pattern and the industrial structure will create huge potential demand. In the course of over three decades of reform and opening up, we have built a solid material foundation and institutional conditions for development and gained rich experience in macro-control. Our enterprises have become significantly more competitive and resilient. The eastern region has greater capacity for innovation and development, and the development potential of the central and western regions and the old industrial bases in northeast China is being unleashed in an orderly manner. We still have our traditional strengths in economic development, as well as rich human resources and a more skilled workforce. We have a good balance between government revenue and expenditures and a sound financial system, and there is ample nongovernmental capital. The global economic and political patterns are undergoing profound changes; peace, development, and cooperation remain the underlying trends of the times, and overall the situation is favorable for China's peaceful development. We need to have firm confidence, capitalize on favorable conditions and factors, and continue to grasp and make the most of this important period of strategic opportunities to promote steady and robust economic development, and continue to enhance China's overall strength and its international influence.

We must hold high the great banner of socialism with Chinese characteristics, take Deng Xiaoping Theory and the important thought of Three Represents as our guide, thoroughly apply the Scientific Outlook on Development, make progress while maintaining stability, and strengthen and improve macro-control. We will continue to balance maintaining steady and robust economic development, adjusting the economic structure, and managing inflation expectations; accelerate the transformation of the pattern of economic development and adjustment of the economic structure; vigorously expand domestic demand, particularly consumer demand; make every effort to strengthen innovation, energy conservation, and emissions reduction; and strive to deepen reform and opening up and ensure and improve the people's wellbeing. We will comprehensively advance socialist economic development, political, cultural and social progress, and

ecological awareness. We will strive to achieve steady and robust economic development and overall price stability, maintain social harmony and stability, and greet the coming Eighteenth National Congress of the CPC with outstanding achievements in economic and social development.

The main targets for this year's economic and social development are as follows: to increase GDP by 7.5%, create more than 9 million new jobs in towns and cities, keep the registered urban unemployment rate at or below 4.6%, hold increases in the CPI to around 4%, increase the volume of total exports and imports by around 10%, and continue to improve our international balance of payments. At the same time, we will make further progress in industrial restructuring, innovation, energy conservation, and emissions reduction, and ensure that both urban and rural residents' real incomes increase in line with economic growth. Here I wish to stress that in setting a slightly lower GDP growth rate, we hope to make it fit with targets in the Twelfth Five-Year Plan, and to guide people in all sectors to focus their work on accelerating the transformation of the pattern of economic development and making economic development more sustainable and efficient, so as to achieve higher-level, higher-quality development over a longer period of time. In projecting a CPI increase of around 4%, we have taken into account imported inflation, rising costs of factors of production, and people's ability to absorb the impact of price increases, while leaving room for the effect of price reforms.

Taking into consideration all relevant factors, we will continue to follow a proactive fiscal policy and a prudent monetary policy, carry out timely and appropriate anticipatory adjustments and fine-tuning, and make our policies more targeted, flexible, and anticipatory.

We will continue to implement a proactive fiscal policy. We will keep the deficit and government debt at appropriate levels. This year, we are projecting a deficit of 800 billion yuan, a decrease to around 1.5% of GDP, which consists of a 550 billion yuan central government deficit and 250 billion yuan of bonds issued on behalf of local governments. We will improve the structure of expenditures and give priority to spending in key areas. We will increase spending on areas which are important to the people's wellbeing, such as education, culture, medical and health care, employment, social security, and low-income housing projects. We will pay greater attention to strengthening weak links, and increase funding for agriculture, rural areas, farmers, underdeveloped areas, scientific and technological innovation, energy conservation, environmental protection, water conservancy, and geological prospecting. We will be more economical; strictly restrict spending on official overseas trips, vehicles for official use, and official hospitality; greatly reduce meetings and documents; deepen reform of the system for the use of official cars; and further reduce administrative costs. We will continue to restrict the construction of office buildings in terms of both size and grades, and reduce spending on building large gymnasiums and stadiums. We will also comprehensively strengthen auditing of key areas, sectors, and funds. We will introduce structural tax reductions. We

will fully implement and improve all preferential tax policies to support the development of small, micro and individually owned businesses, and carry out pilot projects to replace business tax with VAT. We will continue to investigate the collection and use of administrative fees and operations of government-managed funds, merge them where necessary, and ensure fees are collected and government-managed funds are operated in a standardized way. We will strengthen supervision of local government debt and guard against risks. We will continue to deal with outstanding debts properly by classifying them into different categories and managing them accordingly, dealing with different situations differently, and resolving problems gradually. We will further investigate and standardize financing companies run by local governments. Governments at all levels are prohibited from making guarantees and promises in this respect in violation of laws and regulations. At the same time, we will both take short-term measures and build permanent systems, strictly limit new local government debt, and place revenue and expenditures of local government debt under budgetary management on the basis of their type.

We will continue to implement a prudent monetary policy. We aim to promote steady and robust economic development, keep prices stable, and guard against financial risks by keeping the total money and credit supply at an appropriate level, and taking a cautious yet flexible approach. We will employ a full range of monetary policy tools, appropriately adjust the supply and demand of money and credit, and maintain proper growth of financing from nongovernment sources. The broad money supply is projected to increase by 14%. We will improve the credit structure, support key state projects that are under construction or expansion and low-income housing projects, and increase credit support to enterprises, especially small and micro businesses, whose operations are in accordance with industrial policies and whose products have market demand. We will effectively reduce the financing costs of the real economy, and continue to strictly restrict loans to industries that are energy intensive, have high emissions or possess excess production capacity. We will improve the mechanism for setting the RMB exchange rate, make the floating exchange rate regime more flexible, and keep the RMB exchange rate basically stable at an appropriate and balanced level. We will vigorously develop the foreign exchange market, diversify foreign exchange products, and provide more tools for market participants to hedge foreign exchange risks. We will manage and utilize our foreign exchange reserves well. We will set up a sound mechanism for preventing systemic financial risks and for coordinating financial oversight and supervision to strengthen our ability to withstand risks. We will tighten oversight on cross-border flows of capital, standardize all types of lending activities, and guide the sound development of private financing.

To ensure success in all our work this year, we must uphold the theme of scientific development, take transforming the pattern of economic development as the main thread, adopt a holistic approach, and coordinate all our work. We must coordinate efforts to achieve steady growth, control prices, adjust the economic structure, improve the people's

wellbeing, implement reform, and promote harmony.

To achieve steady growth, we will continue to expand domestic demand and keep foreign demand stable, vigorously develop the real economy, work hard to counter the impact of various factors of instability and uncertainty at home and abroad, promptly resolve emerging issues that signal unfavorable trends, and maintain stable economic performance.

To control prices, we will continue to take comprehensive measures to maintain basic overall price stability and prevent a rebound of inflation.

To adjust the economic structure, we will support development in some areas while limiting growth in others, improve the quality and efficiency of economic growth, and make development more coordinated and sustainable.

To improve the people's wellbeing, we will continue to take ensuring and improving the people's wellbeing as the fundamental starting point and goal of our work, give higher priority to promoting social fairness and justice, and take a number of initiatives that will bring substantive benefits to the people.

To implement reform, we will carry out reform and opening up with greater determination and effort, solve institutional and structural problems that hinder long-term sound economic development, and make breakthroughs in key areas and crucial links. We will spur reform, development and innovation through opening up.

To promote harmony, we will properly balance reform, development, and stability; effectively defuse various types of conflicts, risks, and dangers; prevent isolated problems from growing into major ones; and promote social harmony and stability.

III. Major Tasks for 2012

1. Promoting steady and robust economic development

Expanding domestic demand, particularly consumer demand, which is essential to ensuring China's long-term, steady, and robust economic development, is the focus of our economic work this year.

We will work hard to expand consumer demand. We will move faster to set up a permanent mechanism for boosting consumption. We will vigorously adjust income distribution, increase the incomes of low- and middle-income groups, and enhance people's ability to consume. We will improve policies that encourage consumption. We will vigorously develop elderly care, domestic, property management, medical and healthcare services. We will encourage consumer spending on cultural activities, tourism, and fitness; and implement the system of paid vacations. We will actively develop new forms of consumption such as online shopping; support and guide the consumption of green goods such as environmentally friendly building materials, water-saving sanitation products, and energy-efficient vehicles; and expand consumer credit. We will improve the urban-rural logistics system and infrastructural facilities, such as roads and parking lots,

strengthen supervision over product quality and safety, improve the consumption environment, and safeguard consumers' legitimate rights and interests.

We will continue to improve the investment structure. We will maintain the steady growth of investment and use investment to promote consumption and vice versa. We will fully implement the State Council's 36 new guidelines on encouraging and guiding nongovernmental investment and adopt specific operating rules for their implementation. We will strengthen the role of government investment in guiding adjustment of the economic structure, ensure funding for key projects that are under construction or expansion, and begin construction on major national projects in an orderly manner. We will tighten standards on market access and the screening and approval process relating to land, credit, energy conservation, environmental protection, safety, and quality; and strengthen supervision and inspections of major projects, particularly those undertaken by governments and state-owned firms, to improve the quality of and returns on such investments.

2. Keeping overall prices basically stable

This is a key task affecting the people's interests and China's overall economic and social development. We will control prices and prevent inflation from rebounding by effectively carrying out macroeconomic policies, managing the supply of money and credit, and striving for basic equilibrium in aggregate supply and demand.

We will increase production and ensure supply. We will continue to make controlling excessive rises in food prices a priority of stabilizing prices. We will effectively carry out the practice of holding provincial governors responsible for the "rice bag" (grain supply) and city mayors for the "vegetable basket" (non-grain food supply) and ensure the supply of major farm products. Large and medium-sized cities should have sufficient farmland for growing vegetables, maintain and raise the proportion of seasonal vegetables sold there that are grown locally, and develop vegetable production bases in collaboration with neighboring areas and areas with suitable conditions. We will strengthen coordination of the production, transportation, and sale of important commodities; improve systems of government reserves and commercial reserves; do a good job purchasing, storing and marketing major agricultural products; and regulate the market better.

We will improve distribution and reduce distribution costs. We will ensure that the green channel policy for transporting vegetables and other fresh farm products is fully implemented. We will carry out policies to support wholesale agricultural product markets, market fairs, and community-based, low-priced vegetable stores. We will encourage urban chain supermarkets, universities, large enterprises, and communities to establish direct supply contacts with farm product distributors, specialized farmer cooperatives, and large family farms. We will also reduce distribution links and increase retail outlets so that they can play a leading role in distribution. We will deepen reform of the distribution system. We will expand trials of a tax on the income of logistics enterprises after deductions, and

improve tax policies on the use of land occupied by facilities for storing major commodities. We will adjust and improve VAT policies for the wholesale and retail of some agricultural products, and promote standardized and information-based distribution. We will adopt a full range of measures to make distribution more efficient and cost-effective so as to benefit both producers and consumers.

We will tighten oversight and ensure market order. We will give high priority to strengthening oversight and inspection of food and drug prices as well as fees and charges for medical, communications, and educational services; put an end to unauthorized collection of charges and fines in the transportation sector; stop large commercial retailers from illegally collecting fees; and crack down on illegal practices such as releasing false information, hoarding and profiteering, manipulating prices, and speculation. We will lead public opinion and correctly guide public expectations of price movements.

3. Promoting steady growth of agriculture and sustained increases in rural incomes

We need to pay even greater attention to modernizing agriculture in the course of industrialization and urbanization. We must continue to make solving problems related to agriculture, rural areas, and farmers a top priority in all of our work; increase policy support to strengthen agriculture, benefit farmers, and enrich rural areas; and consolidate and build upon achievements in the development of agriculture and rural areas.

We will steadily develop agricultural production and increase farmers' incomes by various means. We will continue to carry out activities to steadily increase grain production, keep the area of land sown to grain crops stable, and increase per-unit yields. We will guide farmers to adjust their mix of crops or livestock, and produce more quality farm products in short supply. We will support the production of vegetables, meat, eggs, milk, and aquatic products. We will continue to increase agricultural subsidies, raise their standard, expand their coverage, improve mechanisms for issuing them, and direct new subsidy increases mainly to large family farms, specialized farmer cooperatives, and producer-oriented service organizations. We will continue to raise the minimum purchase price for grain, and we will raise the average floor prices for wheat and rice by 7.4 yuan and 16 yuan per 50 kilograms, respectively. We will improve the mechanism for subsidizing major growing areas and increase rewards and subsidies to major counties that produce important agricultural products such as grain, oilseed, and hogs. We will implement the 2011-2020 rural poverty alleviation and development program and, in accordance with the new national standards for poverty alleviation, do a good job of all poverty alleviation and development work, and step up our work in contiguous areas with particular difficulties to ensure that people in poverty share more fruits of reform and development.

We will speed up progress in agricultural science and technology. The fundamental way to develop agriculture is through science and technology. We will vigorously promote innovations in agro-science and increase support for R&D on and the application of key technologies for cultivating superior varieties and breeds, preventing

and controlling animal and plant epidemics, and ensuring the quality and safety of agricultural products. We will accelerate reform and development of the service system for spreading agricultural technology in villages, and improve public service agricultural agencies in townships, towns, and regions. We will improve the system for subsidizing agricultural technologies and encourage farmers to use advanced and appropriate agricultural technologies. We will develop modern agriculture demonstration sites, encourage farmers to grow high-yield crops, promote the standardization of farming techniques, and accelerate agricultural mechanization.

We will strengthen agricultural and rural infrastructure. The central government plans to allocate 1.2287 trillion yuan for agriculture, rural areas and farmers, 186.8 billion yuan more than last year. With these funds we will build and upgrade water-saving facilities in irrigated areas and build more small water conservancy projects, and vigorously develop water-efficient agriculture. We will intensify efforts to develop, improve, and reclaim rural land and develop on a large scale basic farmland that meets high drought and flood resistance standards. We will take speedy steps to harness small and medium-sized rivers, reinforce small aging reservoirs, and take comprehensive measures to prevent and mitigate geological disasters caused by mountain torrents. We will continue to improve working and living conditions in rural areas by strengthening infrastructure such as water, power, and methane supply facilities, roads, and cultural and sports venues, and by cleaning up the environment and renovating dilapidated houses more quickly.

We will deepen rural reform. We will uphold the basic rural operation system. We will work diligently to determine, register, and certify land ownership. Farmers' rights to the land they contract to work on, to the land on which their houses sit, and to proceeds from collective undertakings are property rights conferred by law, and these rights must not to be violated by anyone. We will provide better supervision and services for the transfer of contracted land-use rights, and develop farming operations on an appropriately large scale. We will place farmland under strict protection, and formulate and promulgate regulations concerning compensation for the expropriation of rural collective land. We will support large-scale farming by specialized farmer cooperatives and leading enterprises, encourage various sectors of society to provide services for agriculture, develop agricultural insurance, and increase commercialization and specialization in agriculture. We will also deepen comprehensive rural reform, and reform systems for managing state-owned farms and forest farms.

4. Accelerating the transformation of the pattern of economic development

The key to solving the problems of imbalanced, uncoordinated, and unsustainable development is to accelerate the transformation of the pattern of economic development and carry out strategic adjustment of the economic restructure. This is both a long-term task and our most pressing task at present.

We will improve and upgrade the industrial structure. We will promote the sound

development of strategic emerging industries. We will accelerate the establishment of mechanisms that promote the use of new energy sources; strengthen overall planning, auxiliary projects and policy guidance; and expand domestic demand. We will put an end to blind expansion in industries such as solar energy and wind power. We will develop next-generation information technology, strengthen network infrastructure, and make substantive progress in integrating the telecommunications network, the radio and television broadcasting network, and the Internet. We will energetically develop the high-end equipment manufacturing, energy conservation, environmental protection, biopharmaceuticals, new-energy vehicles, and new materials industries. We will increase funding for technological upgrading projects, and press ahead with the transformation and upgrading of traditional industries. We will control increases in production capacity, improve existing production facilities, encourage enterprise mergers and reorganizations, and increase industrial concentration and economies of scale, with the focus on the automobile, steel, shipbuilding, and cement industries. We will implement and improve policies to promote the growth of small and micro businesses, further reduce burdens on enterprises, and promote the vibrant growth of small and micro high-tech enterprises. We will implement fiscal, taxation, and financial policies that facilitate the development of the service sector and encourage nongovernmental investment in this sector, in order to promote faster development of the sector, increase its share in the economy, and facilitate its upgrading.

We will conserve energy, reduce emissions, and protect the ecological environment. The key to conserving energy and reducing emissions is to save energy, improve energy efficiency, and reduce pollution. We will promptly formulate and promulgate a work plan for appropriately controlling total energy consumption, and move quickly to base the energy pricing system on the market. We will use economic, legal, and the necessary administrative means to conserve energy and reduce emissions in key areas such as manufacturing, transportation, construction, public institutions, and people's homes, and in 1,000 key energy-intensive enterprises; and close down more outdated production facilities. We will tighten supervision of energy use, develop smart power grids and ensure the proper distribution of energy supplies, and implement effective administrative practices such as efficient electricity generation and distribution, energy performance contracting, and government procurement of energy-efficient goods and services. We will optimize the energy structure, promote clean and efficient use of traditional energy, safely and effectively develop nuclear power, actively develop hydroelectric power, tackle key problems more quickly in the exploration and development of shale gas, and increase the share of new energy and renewable energy in total energy consumption. We will step up the construction of energy transportation routes. We will thoroughly implement the basic state policy of conserving resources and protecting the environment. We will carry out certification of energy-efficient products and oversight and inspection of energy efficiency labeling; encourage economical use of

energy, water, land, and materials as well as comprehensive use of resources; and vigorously develop a circular economy. We will strengthen environmental protection; strive to solve major environmental problems that directly affect people's lives, such as heavy metals, drinking water sources, air, soil, and marine pollution; reduce pollution from non-point agricultural sources; and put hazardous chemicals under strict oversight and supervision. We will start monitoring fine particulate matter (PM2.5) in the Beijing-Tianjin-Hebei region, the Yangtze River delta, the Pearl River delta and other key areas as well as in municipalities directly under the central government and provincial capital cities, and extend the practice to all cities at and above the prefectural level by 2015. We will improve the ecology, strengthen ecological protection and restoration, and consolidate achievements in protecting virgin forests, turning vulnerable farmland into forests and grasslands, and stopping grazing to let grasslands recover. We will strengthen grassland ecological conservation; vigorously carry out afforestation; make progress in dealing with desertification and stony deserts and in improving terraced farmland; and strictly protect river sources, wetlands, lakes, and other priority functional ecological zones. We will strengthen capacity building to adapt to climate change, and especially to respond to extreme climate events, and improve our ability to prevent and mitigate natural disasters. We will uphold the principle of common but differentiated responsibilities and the principle of fairness, and play a constructive role in promoting international talks on climate change. We will show the world with our actions that China will never seek economic growth at the expense of its ecological environment and public health. We are definitely capable of taking a path of civilized development which ensures that production increases, people's living standards rise, and we live in a good ecological environment.

We will enhance balanced economic development among regions. We will implement the master strategy for regional development and the plan for developing functional zones, give full play to the distinctive strengths of each region, better coordinate development among regions, and make delivery of basic public services more equitable. We will conscientiously implement the policies and measures for the large-scale development of the western region in the new decade, work even harder to implement the strategy for the rise of the central region, more quickly revitalize the old industrial bases in northeast China, and actively support the eastern region in transforming its economy and participating in international competition and cooperation at a higher level. We will increase support to old revolutionary base areas, ethnic minority areas, border areas, and poverty-stricken areas. We will encourage special economic zones, the Pudong New Area in Shanghai, and the Binhai New Area in Tianjin to better play their role of leading the way and exploring new paths in reform and opening up. We will formulate and implement a strategy for marine development, and promote the development of the marine economy. We will strengthen and improve inter-regional cooperation mechanisms, remove market barriers, facilitate the flow of factors of production, guide the orderly transfer of industries, and promote mutually reinforcing and coordinated economic development among regions.

We will actively yet prudently promote urbanization. We will promote the coordinated development of large, medium-sized, and small cities as well as small towns in light of local conditions and in accordance with the laws governing urban development. On the basis of the carrying capacity of China's resources, environment and population, we will improve the distribution of the productive forces across the country, develop cities and towns rationally, and ensure that the geographical distribution of the population is suited to land availability, resources distribution, and development potential. We will strengthen the economic foundation and create job opportunities in all cities, improve their infrastructure and living environment, strengthen urban management and services, and raise the quality and level of urbanization. We will give higher priority to registering rural migrant workers with stable jobs and permanent homes in cities or towns as permanent urban residents in an orderly manner. We will relax eligibility for registering as urban households in small and medium-sized cities, guide the rational flow of the population, and enable more surplus rural workers to find nonagricultural employment in nearby towns and cities. We should care more deeply for rural migrant workers and provide more services to them; resolve difficulties they have in securing employment services, obtaining social security benefits, getting their children enrolled in preschools and schools, and renting or purchasing homes; and gradually extend to them basic public services that are available to urban residents. We will take care of children, women and old people who are left behind by rural migrant workers who work in cities. We will enable rural residents to enjoy a happy life whether they go to the city or stay in the countryside.

5. Thoroughly implementing the strategies of developing China through science and education and strengthening the country through human resource development

To make China prosperous and strong and achieve the revival of the Chinese nation, we need to vigorously develop science, technology, and education and create a high-quality talent pool.

We will continue to give high priority to developing education. The central government has already prepared its budget to meet the requirement that government spending on education accounts for 4% of China's GDP, and local governments should act accordingly to ensure that this target is reached. Funds for education must be used to meet the funding requirements in key areas and strengthen weak links so that they yield better results. We will deepen reform of the educational system, extensively implement well-rounded education, and gradually resolve major problems in examination and enrollment, and in education and teaching. We will carry forward and gradually institutionalize democratic school management. We will promote the balanced development of compulsory education and give preference to schools in the central and western regions, rural areas, remote areas, and ethnic minority areas, and to weak urban schools when allocating resources. We will continue to make great efforts to ease contentious issues of great concern to the people, including paying to enroll one's children in better schools and the shortage of preschools. We will arrange the location of rural

primary and secondary schools in light of local conditions, and ensure there is a proper balance between improving the quality of education and placing schools closer to children. We will run rural boarding schools well, and implement the plan for improving nutrition for rural students receiving compulsory education. We will enhance school bus safety to ensure children's safety. We will strengthen preschool, continuing and special education, develop a modern vocational education system, and do a good job educating ethnic minority students. Higher education should better meet the needs of economic and social development and China's strategic requirements, and improve its quality and capacity for making innovations. We will improve the state financial aid system for students by gradually making all rural students exempt from paying tuition for secondary vocational education, and by granting financial aid to more students from poor families who attend regular senior secondary schools. We will vigorously develop privately run schools and encourage and guide nongovernmental investment in all types of schools at all levels. The people place their hopes on education, and education is crucial for China's future, so we must achieve even better results in this work.

We will vigorously boost innovation in science and technology. We will strengthen the national innovation system. We will deepen reform of the management system for science and technology, spur enterprises to become the main source of technological innovation, and more closely integrate science and technology with the economy. We will support enterprises in developing R&D centers and undertaking major national and regional science and technology projects. We will guide research institutes and researchers in universities in providing services to enterprises' R&D centers so that enterprises, universities, and research institutes can work more closely together to increase the industrial application of scientific and technological advances. We will boost basic research and research in cutting-edge technologies, and improve our capacity to make original innovations. We will improve the evaluation and incentive system for scientific and technological advances. We will advocate academic integrity, encourage independent thinking, ensure academic freedom, and foster a scientific spirit. We will unwaveringly implement the national strategy on intellectual property rights.

We will comprehensively strengthen human resource work. We will deepen reform of the personnel management system; energetically train high-level innovative and entrepreneurial personnel, talented young people, and personnel who are urgently needed and in short supply; and attract talented personnel from overseas. We will improve the mechanism for training, employing, evaluating, and giving incentives to talented personnel, and create a favorable social environment for them to come to the fore in large numbers and tap their full potential.

6. Ensuring and improving the people's wellbeing

Putting people first is about realizing, upholding, and promoting their fundamental interests. We will make ensuring and improving their wellbeing an important task in the work of the government.

We will make every effort to increase employment. Employment is of great importance to China's development and the people's wellbeing. We will continue to face great employment pressure this year, and governments at all levels must continue to follow the strategy of giving top priority to employment and more actively implement employment policies. We will give high priority to supporting new service industries, innovative high-tech enterprises, and small and micro businesses that employ large numbers of people so as to create more jobs. We will encourage the creation of new businesses to stimulate employment. We will help college graduates, rural migrant workers and urban residents having difficulty finding jobs find employment, and strengthen technical training for ex-soldiers and help them find jobs and settle down. We will encourage college graduates to pursue careers in rural areas, local communities and the central and western regions. We will strengthen vocational training and public employment services. We will accelerate development of a sound, unified, standardized, and flexible human resources market. We will promote harmonious labor relations, increase supervision of overseas labor services, settle labor relations disputes, and intensify supervision, mediation, and arbitration of labor disputes to protect the legitimate rights and interests of employees.

We will accelerate improvements to the social security system. By the end of the year, we will have achieved full coverage of the new old-age pension system for rural residents and the old-age pension system for non-working urban residents. We will expand coverage of all types of social insurance. We will raise the basic pension for enterprise retirees. We will increase urban and rural subsistence allowances and social aid, and accelerate development of social welfare programs and charities. We will better coordinate all aspects of the social safety net. We will increase the social security fund through a variety of channels, and strengthen oversight and supervision of investment from the social insurance fund and social security fund to increase their value. We will strengthen capacity building for social security services, allow localities where conditions permit to integrate and merge social security agencies, and entrust some services to banks or commercial insurance institutions. We will accelerate the work of introducing all-in-one national social security cards.

We will vigorously promote the development and reform of medical and healthcare services. We will move faster to improve the medical insurance system covering the whole population, consolidate and expand the coverage of basic medical insurance, and enhance our capability to provide and manage basic medical services. We will raise subsidies for medical insurance for non-working urban residents and the new type of rural cooperative medical care system to 240 yuan per person per year. We will fully introduce social insurance against uraemia and seven other major diseases and include lung cancer and 11 other major diseases in the pilot program to provide insurance and aid for their treatment. We will consolidate and improve the system for basic drugs and improve the community-level medical and health care system. We will push forward

reform of public hospitals, so that medical care is separated from pharmacy operations, government management is separated from hospital operations, and the practice of using pharmacy profits to subsidize medical services is ended. We will encourage and guide nongovernmental investment in hospitals, and speed up the creation of a system of hospitals with diversified ownership that is open to foreign participation. We will boost the morale of medical workers and build harmonious relations between doctors and patients. We will improve public health services and prevent and control major communicable, chronic and occupational diseases that pose a major health hazard. We will tighten control over drug safety. We will support and promote the development of traditional Chinese medicine and the medical practices of ethnic minorities.

We will comprehensively carry out work relating to population and family planning. We will continue to keep the birthrate low, redress gender imbalance through various means, and improve the health of infants. We will achieve full coverage of quality family planning services more quickly than planned and extend the trial program of free pre-pregnancy checkups to 60% of China's counties and county-level cities and districts. We will increase the rewards and special assistance to the rural families that observe the state's family planning policy. We will increase family planning services to the floating population and improve management of such services. We will do our work related to women and children well. We will extend free cervical cancer and breast cancer screening to more rural women, improve the wellbeing of women and children and better guarantee their rights and interests. We will further improve the social security system and the system of services for people with disabilities. We will actively develop programs for the elderly and accelerate development of a system of social services for urban and rural seniors so they can live their later years in contentment.

We will continue to regulate the real estate market and develop low-income housing. We will strictly implement and gradually improve policies and measures for discouraging speculative or investment-driven housing demand, build on progress made in regulating the real estate market, and bring property prices down to a reasonable level. We will continue to develop low-income housing, and basically complete five million units and start construction on over seven million units, ensuring they are built to a high standard. We will work speedily to improve the system for constructing, allocating, managing, and recalling low-income housing units. We will take effective measures to increase supply of regular commodity housing. We will accelerate development of an urban housing information system and reform the real estate tax system to promote long-term, steady, and sound growth of the real estate market.

We will strengthen and make innovations in social administration. We will work hard to resolve social conflicts, make innovations in social administration, and enforce the law impartially and with integrity. We will strengthen government functions for conducting social administration and providing public services. We will strengthen the self-governing capabilities of rural and urban community self-governing organizations. We

will actively yet prudently carry forward the reform of the household registration system, implement the residence permit system, and provide better services to the floating population. We will accelerate the development of a national e-government network, with the focus on sharing information and achieving national interconnectivity. We will vigorously give impetus to government, business, and public integrity, and create a credit information system for the whole society. We will strengthen and improve management of the Internet and foster a healthy cyberspace environment. We will improve the mechanism for assessing risks major policy decisions may pose for social stability and the mechanism for managing responses to emergencies. We will implement the strategy of ensuring safety in development, tighten oversight over workplace safety, and prevent the occurrence of serious and major accidents. We will carry out an intense crackdown on violations of intellectual property rights and the manufacture and sale of counterfeit or substandard goods. We will enhance our food safety oversight capability and raise the level of food safety. We will strengthen and improve the handling of public complaints made through letters and visits. We will strengthen legal services and assistance. We will be on high alert for and crack down on crime in accordance with the law to protect people's lives and property.

7. Promoting the great development and flourishing of culture

Culture gives human beings a sense of belonging, and passing on fine culture is essential in maintaining the everlasting vitality of a nation. We will provide a large quantity of high-quality cultural products to meet people's demand for culture. We will intensively promote development of the system of core socialist values. We will strengthen education with regard to social codes of conduct, professional ethics, family virtues, and individual integrity. We will educate children and young people about values and strive to create a social atmosphere that promotes morality, integrity, dedication, and harmony. We will vigorously promote nonprofit cultural services and strengthen cultural infrastructure in communities, particularly in rural areas and the central and western regions. We will promote the flourishing of philosophy and the social sciences, and actively develop the press, publishing, radio, film, television, literature, art, and archives. We will better protect our cultural heritage and foster the flourishing of ethnic minority cultures. We will deepen reform of the cultural system and continue to transform for-profit cultural institutions into enterprises. We will make the cultural industry larger, more intensive, and more specialized; and turn it into a pillar of the economy. We will intensify cultural and people-to-people exchanges with other countries so that we learn from each other's strengths. We will extensively carry out public fitness activities to make the people healthier, and promote the balanced development of sports activities and the sports industry. Chinese culture is highly cohesive and inspiring, and we Chinese today must shoulder the historic duty of advancing it.

8. Deepening reforms in key areas

Reform and opening up are the right choice we made for China's destiny and future.

We must respect the people's creativity; boldly explore new ways; continue to promote all reforms, including the reform of China's economic and political systems, with greater resolve and courage; and solve complex issues in development in line with the requirements of the Scientific Outlook on Development.

Now and for some time to come, reform will be focused on the following key areas and crucial links. We will further transform government functions, improve macro-controls, balance the relationship between government and the market, and make better use of the basic role of the market in allocating resources. We will advance reform of the fiscal and taxation systems, better balance the distribution of fiscal resources between the central and local governments and between all levels of local governments, and better arouse the initiative of both the central and local governments. We will deepen reforms of land, household registration and public services; balance the relationship between urban and rural areas; and promote coordinated development of industrialization, urbanization and agricultural modernization. We will carry forward reforms in social programs and income distribution, strike a balance between economic and social development, and effectively safeguard social fairness and justice. We will run the government in accordance with the law and promote innovation in social administration, properly handle the relationship among the government, citizens and social organizations, and build a service-oriented, responsible, law-based and clean government.

The major tasks for reform this year are as follows:

We will deepen reform of the fiscal, taxation and financial systems. We will improve the revenue-sharing system, improve the system of transfer payments, and increase the scale and proportion of general transfer payments. We will improve the mechanism for ensuring basic funding for county-level governments, and make the budgets and final accounts of local governments more transparent. We will deepen reform of the systems for treasury's centralized revenue collection and expenditure payments, government procurement, and central government debt management. We will improve the excise tax system, comprehensively deepen the reform of resource taxes, and set taxes on more commodities on the basis of their prices. We will thoroughly carry out reform of large financial institutions in which the state holds the controlling stake, ensure orderly development of small financial institutions, and improve the systems and mechanisms that serve small and micro businesses as well as agriculture, rural areas and farmers. We will implement new oversight and supervision standards for the banking industry, work toward establishing a deposit insurance system, and deepen the reform of policy-based financial institutions. We will improve both initial public offerings and delistings, and ensure better protection of returns on investors' money and their rights and interests. We will actively develop the bond market, accelerate reform and development of the insurance industry, and make interest rates more market based. We will work steadily to make the RMB convertible under capital accounts and expand the use of RMB in cross-border trade and investment.

We will promote the common development of economic entities under diverse forms of ownership. We will unwaveringly consolidate and develop the public sector and encourage, support and guide the development of the non-public sector. We will thoroughly carry out strategic adjustment of the state sector, and improve the mechanism for increasing investment of state capital in some sectors while reducing it in others to ensure its sound flow. We will promote reform of the railway and power industries. We will improve and implement policies and measures for developing the non-public sector; break up monopolies and relax restrictions on market access; encourage nongovernmental investment in railways, public utilities, finance, energy, telecommunications, education, and medical care; and create a fair environment in which economic entities under all forms of ownership can compete and develop together.

We will deepen price reforms. We will prudently carry out reform of electricity prices by implementing progressive pricing for household electricity consumption and improving pricing mechanisms for nuclear power, hydropower, and power generated from other renewable energy sources. We will make the price of electricity better reflect the price of coal. We will reform the prices of refined oil products and proceed with the price reform of natural gas. We will impose the strictest control over water resources, rationally set and adjust water resource fees in different localities, and carry out integrated price reform of water used for agricultural purposes. We will start trials of trading carbon emissions and the cap-and-trade scheme for pollution rights, and move faster to establish a compensation mechanism for ecological damage.

We will deepen reform of the income distribution system. We will promptly formulate a master plan for reforming the income distribution system, strive to raise the proportion of individual income in national income, and raise the proportion of remuneration in the primary distribution. We will improve the salary system, put in place a mechanism for regular salary increases, and steadily raise the minimum wage. We will create conditions to increase people's income from property. We will establish a mechanism whereby the public share the proceeds from the sale of public resources. We will take further steps to adjust taxes for high-income groups, strictly standardize supervision of pay and bonuses for senior management in state-owned enterprises and financial institutions, expand the proportion of middle-income groups, raise the incomes of low-income groups, and promote equal opportunity. We will ensure that income distribution is governed by proper standards, effectively protect lawful income, and resolutely ban illegal income. We will quickly reverse the trend of a widening income gap.

We will actively yet prudently carry out reform of public institutions based on their classification. We will classify public institutions scientifically, provide targeted guidance to each class, and phase in reforms sector by sector, level by level, and step by step to deepen reform of the systems of management, personnel, income distribution, and social security for public institutions.

We will accelerate government reform. We will expand socialist democracy;

conduct democratic election, decision making, administration and oversight in accordance with the law; and protect people's rights to stay informed about, participate in, express views on, and oversee government affairs. We will implement the basic strategy of enforcing the law in both letter and spirit, respect and uphold the sanctity of the Constitution and laws, and govern in strict accordance with the law. We will resolutely rectify the problems of laws not being abided by or fully enforced, lawbreakers not being prosecuted, uncivilized law enforcement, dereliction and neglect of duty, and corrupt practices in law enforcement. We will work harder to build clean government. To do so, we will fight corruption, effectively carry out the long-term and basic work needed to improve the system of preventing and punishing corruption, and give high priority to solving serious problems that the people are resentful about. We will identify, handle, review and standardize matters subject to administrative approval in strict accordance with the law. Leading officials are strictly forbidden to interfere in economic activities such as government procurement, project tendering and the auctioning of land-use and mining rights. We will strictly implement all regulations which require leading officials to uphold integrity in the performance of their official duties. We will strengthen administrative and democratic oversight and oversight through public opinion, resolutely investigate and prosecute violations of the law or discipline, and severely punish corruptionists.

9. Striving to improve the opening up policy

China has entered a new stage of opening up in which the position and role of imports and exports as well as two-way investment have profoundly changed. We must adapt to changing circumstances, adopt new ways of thinking about our external economic work, change the mode of China's external economic growth, open China's economy wider and bring about a new phase in China's open economy.

We will maintain steady growth in foreign trade. While expanding domestic demand is crucial, we can never overlook the importance of external demand in China's economic development. We will maintain general continuity in China's foreign trade policy. We will continue to implement the export tax rebate policy; increase trade financing and credit insurance; ensure that customs, quality inspectors, and foreign exchange authorities improve their supervision and services; and help enterprises overcome difficulties and pressures resulting from falling orders, rising costs, and increasing trade friction. We will speed up transformation of the way we develop foreign trade. We will fully implement the strategy of boosting trade through upgrading technologies, improving quality, and diversifying markets. We will support enterprises in building their own brands, marketing networks, and R&D centers, and guide our processing trade to move up the industrial chain and shift to the central and western regions. We will consolidate traditional markets in the United States, Japan, and Europe and open up emerging markets. We will keep labor-intensive exports stable, expand the export of high-tech and high-value-added products, and limit the export of goods whose production is energy intensive and highly polluting. We will work hard to promote trade in

services and undertake more services outsourced by other countries. We will adopt guidelines to increase imports and promote trade balance, improve import policies, build more platforms to promote imports, and work for balanced growth of exports and imports.

We will improve the use of foreign capital. We will adhere to the policy of actively and effectively utilizing foreign capital and give greater importance to optimizing its structure and raising its quality. We will implement the newly revised Proposed List of Industries for Foreign Investment, and encourage more foreign investment in advanced manufacturing, new and high technologies, energy conservation, environmental protection, new service industries, and the central and western regions.

We will implement the “go global” strategy. With China’s outward investment in an important stage of accelerated development, we will enhance macro-guidance, increase policy support, streamline approval procedures, and improve services for Chinese investors. We will guide Chinese enterprises under various forms of ownership in making overseas investments, mergers and acquisitions in energy, raw materials, agriculture, manufacturing, service industries, and infrastructure in an orderly manner. We will explore new models for overseas economic and trade cooperation zones, and support companies making overseas investments in coordinating their growth and forming clusters. Restrictions on individuals investing overseas will be relaxed. We will strengthen risk management of overseas investments and protect the safety of employees and assets of Chinese enterprises operating overseas.

We will participate in global economic governance and regional cooperation. We will strive to maintain steady growth of China’s economic and trade relations with developed countries and comprehensively deepen mutually beneficial cooperation with developing countries. We will continue to promote development of free trade zones and regional economic integration. We will actively participate in building mechanisms for global economic governance such as the G20, strengthen coordination with major economies on macroeconomic policy, oppose protectionism in all its forms, and continue to play a constructive role in the Doha Round of trade talks and the reform of the international financial system.

Fellow Deputies,

China is a unified, multiethnic country. Only when its ethnic groups are united as one and work for the development of all can China achieve prosperity. We will adhere to and improve the system of regional ethnic autonomy, fully implement the central leadership’s policies and measures for supporting the development of ethnic minorities and ethnic minority areas, and energetically implement plans to support development of ethnic groups with small populations, projects to bring prosperity to border areas and residents there, and services for ethnic minorities. We will unwaveringly consolidate and develop socialist ethnic relations of equality, solidarity, mutual assistance, and harmony.

We will actively implement the Party’s basic policy on work related to religion,

protect the lawful rights and interests of religious groups, religious figures, and believers, and give full play to their positive role in promoting economic development, cultural prosperity, and social harmony.

We will fully implement the Party's policy on overseas Chinese affairs, protect the lawful rights and interests of overseas Chinese and returned overseas Chinese and their relatives, and support them in taking an active part in the endeavor to modernize China and in advancing the great cause of China's peaceful reunification.

Fellow Deputies,

Strong national defense and powerful armed forces provide a firm guarantee for safeguarding China's sovereignty, security, and development interests. We will make the armed forces more revolutionary, modern, and standardized in all respects so they can comprehensively accomplish their historic mission at the new stage in the new century. We will enhance the armed forces' capability to accomplish a wide range of military tasks, the most important of which is to win local wars under information-age conditions. We will strengthen their ideological and political standards, and adhere to the fundamental principle of the Party having absolute leadership over the armed forces, and we should maintain the Chinese armed forces' fundamental purpose of being an army of the people. We will vigorously carry out military training under information-age conditions. We will accelerate the modernization of the logistics support system, and vigorously enhance our capacity for making innovations in defense-related science and technology and in weapons and equipment development. We will focus on training a new type of highly competent military personnel. We will actively yet prudently carry out reform of national defense and the armed forces. We will run the armed forces with strict discipline and in accordance with the law. We will comprehensively modernize the armed police force. We will strengthen national defense mobilization and improve our reserves. We will ensure the armed forces resolutely accomplish the tasks of combating terrorism, maintaining stability, handling emergencies, and relieving disasters. We will follow the path of integrated military and civilian development with Chinese characteristics by unifying military and civilian industries and embedding military programs in civilian industries. We will consolidate and develop solidarity between the military and the government and between the military and the people.

Fellow Deputies,

Hong Kong and Macao are closely bound with the mainland of China and we share a common destiny. We will unwaveringly implement the principle of "one country, two systems" under which the people of Hong Kong govern Hong Kong and the people of Macao govern Macao and both regions enjoy a high degree of autonomy, and we will fully support the two regions in growing their economies, improving the people's wellbeing and promoting democracy. We support the governments of the two special administrative

regions in meeting the challenges of international economic risks and in upholding economic and financial stability and ensuring long-term prosperity and development. We will implement coordinated policies and measures for supporting the economic and social development of Hong Kong and Macao, open the mainland much wider to trade in services with the two regions, accelerate the construction of the Hong Kong-Zhuhai-Macao Bridge and other shared infrastructure projects, and deepen cooperation with Hong Kong and Macao to support them in participating in international and regional economic cooperation. We support Hong Kong in consolidating and elevating its position as an international financial, trade, and shipping center, and in becoming a center of offshore RMB transactions. We support Macao in becoming a world center of tourism and leisure, building the Hengqin New Area, and diversifying Macao's economy as necessary. We believe that with the staunch support of the great motherland, our compatriots in Hong Kong and Macao will certainly create an even brighter future for themselves.

Last year, relations across the Taiwan Straits withstood serious tests and improved considerably. Opposing Taiwan independence, accepting the 1992 Consensus, consolidating achievements in exchanges and cooperation, and promoting peaceful development of cross-Straits relations have increasingly become shared aspirations of the people on both sides of the Straits. In 2012, we will adhere to the central leadership's policies on work related to Taiwan; strengthen the political, economic, and cultural foundation and public support for growing cross-Straits relations; and make further progress in promoting their peaceful development. We will deepen all-around cross-Straits economic and financial cooperation, and strive to make new progress in the follow-up talks on the Economic Cooperation Framework Agreement. We will accelerate development of the Western Taiwan Straits Economic Zone. We will energetically expand cross-Straits exchanges between people from all walks of life and carry out cultural, educational and other exchanges to forge a closer bond and increase mutual attachment and common interests between the two sides. All Chinese people should unite more closely and endeavor to accomplish the great cause of China's reunification and the great rejuvenation of the Chinese nation.

Fellow Deputies,

In the new year, China's diplomacy should better promote the country's over-arching goal of promoting reform, opening up, and socialist modernization; and make greater contributions to global economic growth and world peace and stability. We will continue to deepen friendly relations with our neighbors; actively participate in cooperation mechanisms with them; deepen regional cooperation; and work with them in creating a regional environment of peace, stability, equality, mutual trust, cooperation, and mutual benefit. We will enhance unity and cooperation with other developing countries, deepen traditional friendships, expand mutually beneficial cooperation, help achieve the UN

Millennium Development Goals, and uphold the legitimate rights and interests as well as the common interests of developing countries. We will increase strategic dialogue with other major countries to promote strategic mutual trust, broaden areas of cooperation, and promote the long-term, steady, and sound growth of our relations with them. We will actively participate in multilateral affairs and global governance and contribute to making the international political and economic order more just and equitable. We will adhere to the path of peaceful development, continue to pursue an independent foreign policy of peace, and follow an open strategy of mutual benefit. We will work tirelessly with other countries to advance human civilization, improve the wellbeing of people in all countries, and build a harmonious world of enduring peace and common prosperity.

Fellow Deputies,

In the past, we have achieved remarkable progress through hard work. In the future, we must continue to work tirelessly to accomplish the important tasks on the road ahead. Let all of us rally closely around the Party Central Committee with Comrade Hu Jintao as General Secretary, free our minds, forge ahead in the spirit of innovation, make solid progress in our work, and strive to further advance socialist modernization.